

**STATEMENT BY WILLIAM M. DALEY  
SECRETARY OF COMMERCE**

**BEFORE THE SENATE SUBCOMMITTEE ON APPROPRIATIONS  
COMMERCE, JUSTICE, STATE DEPARTMENTS, THE  
JUDICIARY AND RELATED AGENCIES**

**March 11, 1999**

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to present the Commerce budget for Fiscal Year 2000, the first budget of the next century. As we leave the old century in robust economic health and with a budget surplus, I know you join President Clinton and me in wanting to enter the new one the same financially sound way. We at the Department have worked very hard to limit our requests for funding increases in FY 2000 to those key investments that will keep our economy growing strong.

The budget request the President has submitted for the Commerce Department for FY 2000 is \$7.4 billion. This reflects an increase of \$1.8 billion over the FY 1999 appropriated level, most of which is driven by the Decennial Census. Nevertheless, we are still reviewing the additional costs that will be necessary to conduct the Decennial Census in light of the Supreme Court ruling and the results of the Census Bureau's Dress Rehearsal. As soon as the numbers are available, I will personally convey them to the Subcommittee.

Within the \$7.4 billion request, we are seeking \$521 million in funding for other high-priority initiatives. The Commerce Department is dedicated to expanding opportunities for American workers and American businesses. In formulating our requests for FY 2000, we have made tradeoffs among existing programs, and we have proposed, in a few instances, new sources of revenue, where appropriate.

This budget invests in our future. It invests in a successful Census so that future socioeconomic decisions are based on the most accurate data available. It invests in the stewardship of our Nation's natural resources and assets to ensure the wise use of fisheries, oceans and coastal areas. And it invests in expanding opportunities for trade and technology growth to create jobs and strengthen our economy.

For FY 2000, the Administration's five highest priorities for the Department of Commerce are:

- Decennial Census and Other Statistical Programs;
- Oceans and Atmosphere;
- Broadening Trade;
- Technology for Economic Growth; and
- Assisting Distressed Communities.

## **Decennial Census and Other Statistical Programs**

The President's budget was completed prior to the recent Supreme Court ruling. It assumes the use of scientific sampling for all purposes. Under that assumption, we requested a total budget of \$2.8 billion for the Decennial Census, a \$1.8 billion increase above FY 1999. We look forward to presenting a new cost estimate to the Subcommittee that will reflect the plan that conforms to the Supreme Court ruling and incorporates lessons learned in the Dress Rehearsal.

The Supreme Court decision precludes the use of sampling for the numbers used to apportion seats in the House of Representatives. The Court noted, however, that sampling techniques are required for non-apportionment purposes, if feasible. As Dr. Kenneth Prewitt, Director of the Census Bureau, announced two weeks ago, it is feasible to use sampling for those other purposes. He presented the broad outlines of a plan to do so that includes an Accuracy and Coverage Evaluation (ACE) program to eliminate the undercount. While the Census Bureau will make every effort to count every person without sampling for apportionment purposes, it remains convinced that scientific sampling will improve the accuracy of the final numbers and should be used for all other purposes.

Conducting a Decennial Census without using sampling in the initial enumeration will require substantially more resources. For example, the Bureau will have to visit 45 million housing units, 15 million more than estimated in the original plan. The Bureau will have to hire more enumerators and send more people to areas with traditionally high undercount rates. The Bureau will also have to increase its partnership work with local communities, its promotion activities and paid advertising. Again, we look forward to working with the Subcommittee on the details and cost estimates for this plan.

By maintaining a reliable federal statistical system that readily monitors and measures economic activity and social trends, the Economics and Statistics Administration (ESA) helps national, state, and local governments and other institutions to make smart decisions that can improve the lives of all Americans. Our Nation's ability to respond to domestic and international developments that affect our economic infrastructure relies on a world-class information base and cutting-edge technology to make it accessible. In this capacity, ESA oversees the Census Bureau and the Bureau of Economic Analysis (BEA). ESA also manages STAT-USA, a user-friendly "one-stop shop" for the dissemination of business, economic, and trade statistics.

As the Nation's accountant, BEA combines and transforms extensive data from government and private sources to produce a consistent and comprehensive picture of economic activity, featuring a key summary measure known as the gross domestic product (GDP) estimate. In addition, BEA's estimates of regional products and incomes are used in the allocation of federal grants to states. We are requesting an increase of \$4.5 million to further improve BEA measures.

## **Oceans and Atmosphere**

The National Oceanic and Atmospheric Administration (NOAA) is leading the way in the stewardship of our natural resources and in improving the detection of oncoming natural events with greater precision to save lives and property and minimize business disruption. For FY 2000, under the Oceans and Atmosphere priority, Commerce is proposing initiatives that support NOAA programs in two areas – the Natural Resources initiative, and the Natural Disaster Reduction initiative.

### ***Natural Resources Initiative***

First, Commerce supports the Natural Resources initiative, including the programs that constitute “Ocean 2000” and “Climate in the 21<sup>st</sup> Century.” In skillfully managing and protecting our Nation’s assets and resources, NOAA plays a key role in the Natural Resources initiative by overseeing programs that expand knowledge and understanding of our lands, water, and air. Protecting coastal habitats from loss and degradation, researching the effects of climate changes on the oceans and atmosphere, and promoting safe navigation are all objectives of the initiative. Among the increases for this initiative are the Lands Legacy request of \$105 million, the Year of the Ocean request of \$78.1 million, and the Resource Protection request of \$131.3 million. Program increases supporting the Climate in the 21<sup>st</sup> Century program total \$19.1 million.

Under Ocean 2000, NOAA will expand programs that are designed and integrated to capitalize on the sustainable use of the ocean’s resources. Under the Lands Legacy component, NOAA manages and protects our coastal areas and promotes sound economic conservation of our fishery resources. Closely linked to Lands Legacy are programs to further resource protection, mainly in the Pacific Northwest for salmon conservation. This includes an increase of \$100 million to encourage salmon conservation and habitat recovery efforts in cooperation with state, tribal, and local governments. The remaining major components of this initiative are the Year of the Ocean programs designed to enhance marine navigation safety, coral reef restoration, aquaculture and fisheries stocks assessment, conservation, and management.

Also, as part of the Natural Resources initiative, under the “Climate in the 21<sup>st</sup> Century” program, NOAA will develop newer and better data sets on seasonal-to-interannual time scales to produce climate forecasts to predict El Niño/La Niña events with more accuracy; and improve decadal to centennial climate change assessments, especially for greenhouse warming, ozone layer depletion, and air quality.

### ***Natural Disaster Reduction Initiative***

The second major component of Oceans and Atmosphere is the Natural Disaster Reduction initiative, under which NOAA requests a net increase of \$42.1 million for FY 2000. The Natural Disaster Reduction initiative supports improved weather warnings and forecasts to the general public through the National Weather Service (NWS), expanded

weather research, and increased environmental data available for the public and private sectors.

NOAA's success in describing and predicting the changes in the earth's environment and conserving our resources to ensure sustainable economic opportunity relies on cutting-edge research to develop new technologies, improve operations, and supply the scientific basis for managing natural resources and solving environmental problems. Overall, we are requesting a net increase of \$282 million for all NOAA programs, 12.8 percent above the FY 1999 appropriation of \$2.2 billion.

## **Broadening Trade**

In an increasingly global economy, the role of exports in sustaining a robust economic infrastructure becomes manifold. Exports support over eleven million jobs, and have generated over two million of those jobs in the past two years alone. In recent years, export-related jobs grew about six times faster than total employment, paying wages fifteen percent higher than the average U.S. wage. The competitive nature of a global marketplace raises the bar of challenges for the International Trade Administration (ITA) in leveling the playing field for U.S. businesses abroad and removing tariff and non-tariff barriers to trade. ITA's chief goals are to enforce U.S. trade laws to promote free and fair trade, increase the number of small business exports, improve the role of the Trade Promotion and Coordinating Committee (TPCC), and strengthen advocacy efforts. Overall, we are requesting an increase of \$21 million for ITA programs. This represents a net increase of 7.3 percent above the FY 1999 appropriation.

Much of the success of the Broadening Trade initiative rests on the expansion of the U.S. Foreign and Commercial Service's (US&FCS) outreach efforts to small- and medium-sized enterprises (SMEs) to help them unleash their full export capacity. As a National Partnership for Reinventing Government High Impact Agency, the US&FCS measures performance by the increase in number of counseling sessions and new-to-export and new-to-market firms. The U.S. Export Assistance Centers (USEACs) perform the valuable service of educating and assisting SMEs through counseling sessions and trade events, helping to identify export-ready firms in need of technical assistance. Electronic commerce and the Internet are other vehicles to increase export opportunities for SMEs. We are proposing an increase of \$13.8 million for the US&FCS to expand overseas staffing in Africa, Latin America, and Asia, and to establish new *standards* attachés positions.

In addition to our requests for program increases, we continue to support our key base programs in the trade arena. Among these, I would like to mention ITA's trade development activities, particularly the Advocacy Center. The Advocacy Center focuses on intensive trade promotion and achieving new market openings. Over the past five-plus years of its existence, the Advocacy Center has played a pivotal role in helping U.S. businesses reap the benefits of access to foreign markets. Over half of the 800 users, or customers, of the Advocacy Center are SMEs. These SME successes are valued at \$11 billion. The Advocacy Center is currently reaching out more than ever to involve SMEs

in its work. Advocacy in support of trade promotion and development is something that I personally spend a lot of time on, and the Advocacy Center plays a key role in this effort.

Implementing an aggressive trade compliance program to aid U.S. companies in getting the full benefits of trade agreements is another key component of ITA's strategy. Market Access and Compliance's (MAC) region and country specialists can help ensure that this happens. By compiling case data on the access problem and outcome, MAC can measure the dollar value of opening world markets to U.S. exports as a result of reducing or eliminating trade barriers. We are requesting an increase of \$4.4 million in this area. Through a sector-specific approach, the Import Administration (IA), another division of ITA, also improves the competitiveness of domestic firms by enforcing U.S. trade laws and agreements regarding subsidies and other harmful foreign trade practices. An increase of \$1.7 million will allow the U.S. to strengthen implementation of the *Uruguay Round*, and resolve disputes in the World Trade Organization.

The Bureau of Export Administration (BXA) carries out the export licensing, enforcement, and defense industry conversion in a manner that protects our national security and our economic competitiveness. BXA supports the Broadening Trade initiative by helping to remove unnecessary obstacles to exporting, and to strengthen multilateral regimes. It also assists small and medium-sized businesses to increase their involvement in export markets by helping them understand export control requirements through outreach visits, conferences, and seminars. As a second component of the Broadening Trade initiative, BXA will administer Chemical Weapons Convention declarations and perform on-site inspections.

Overall, we are requesting an increase of \$8 million for BXA programs, of which \$2.5 million supports the Broadening Trade initiative. This represents a net increase of 15.5 percent above the FY 1999 appropriation. The existing base program includes such activities as administering an understandable, accessible, and timely export control process and managing the Critical Infrastructure Assurance Office (CIAO).

The National Institute of Standards and Technology (NIST) helps to eliminate technical non-tariff barriers to trade, as part of the Broadening Trade initiative, by working to increase global recognition of U.S. measurements and standards. We are requesting an increase of \$2 million for this activity for FY 2000. NIST also works with ITA to place *standards* attachés in Russia, China, and South Africa and with PTO on the Commercial Law Development Program to institutionalize trade in emerging economies via training programs. Through the linkages established between the Manufacturing Extension Partnerships (MEPs) and U.S. Export Assistance Centers (USEACs), NIST helps identify small export-ready manufacturing firms who need technical assistance.

### **Technology for Economic Growth**

In TA, the Office of the Under Secretary and the Office of Technology Policy (US/OTP) promote innovation and industrial competitiveness by advocating and coordinating efforts at interagency, state, national, and international levels. TA also includes the

National Institute for Standards and Technology (NIST) and the National Technical Information Service (NTIS). TA's primary mission is to improve the Nation's technological infrastructure and to facilitate innovation by working with industry. TA is essential to economic health, advances in science and technology, and our Nation's survivability in the information age.

One of NIST's programs is the Measurements and Standards Laboratories Program (MSL). MSL is focused on infrastructural technologies such as measurements, standards, evaluated data, and test methods that provide a common language for use by industry in commerce. The accuracy of transactions amounting to trillions of dollars in sales depends on NIST's maintenance and development of accurate weights and measures for the fair exchange of goods and services. Trillions of dollars in additional sales are supported by NIST-delivered measurement techniques, equipment, calibrations, and standards. Moreover, U.S. scientists rely daily on NIST's evaluated data services and measurement expertise for a host of both basic and applied research activities.

As part of the Technology for Economic Growth initiative, the Commerce FY 2000 budget request also includes an increase of \$55 million for a contract award to begin construction of NIST's Advanced Measurement Laboratory (AML). This facility will provide NIST with the temperature, humidity, vibration and air cleanliness required to perform cutting-edge research in the 21<sup>st</sup> Century. NIST will also establish a program to improve the quality of science education through its Teacher Science and Technology Enhancement Program.

NIST is requesting an increase of \$34.5 million to further enhance its successful Advanced Technology Program (ATP). This request is designed to further stimulate U.S. economic growth by developing high-risk and enabling technologies through industry-driven cost-shared partnerships. In addition, NIST's Manufacturing Extension Program (MEP) will increase resources devoted to gathering and disseminating best practices to all NIST-MEP manufacturing extension centers. Overall, we are requesting an increase of \$94 million for NIST programs. This represents a 14.6 percent net increase above the FY 1999 appropriation. The existing base allows us to continue supporting U.S. industry, government, and scientific establishments with the development and application of technology, measurements, and standards.

NTIS compiles and disseminates non-classified scientific, technical, and engineering information useful to U.S. business and government. The Department faces a management challenge with respect to NTIS. NTIS has traditionally been funded by fees, but the Internet and advances in information processing and distribution technology have fundamentally changed the market for scientific, technical, and engineering information. As a result, the Administration is requesting \$2 million to partially fund the costs associated with the organization and preservation of NTIS' technical information. This level is critical for NTIS to perform its mission. Nevertheless, I look forward to working with the Subcommittee to address this Bureau's financial problems.

In administering laws that grant and protect patents and trademarks, and in advising the Commerce Secretary, the President, and the Administration on intellectual property rights, the Patent and Trademark Office (PTO) plays a central role in America's economic growth. Through its stewardship of our Nation's intellectual property, PTO influences investment, development and marketing strategies, and the financial viability of American businesses. PTO plays a central role in increasing the competitiveness of our technology-based economy by providing more effective service delivery as product life cycles become shorter. Timely issuance of patents and trademark registrations make all the difference for firms operating in fast-paced markets. Toward this end, PTO is committed to customer-oriented and results-driven performance calling for reduced average processing time of patents and trademarks, the automation of various patent and trademark activities, and the establishment of a fee schedule aligned with actual costs.

Through its provision of technical assistance and its expertise on trade-related property rights issues, PTO also helps support the Broadening Trade initiative. PTO contributes to the protection and expansion of intellectual property rights systems worldwide, vital to the institutionalization of the commercial infrastructure of developing economies and to promoting trade, through education and training on laws, regulations, and enforcement. It conducts international outreach and works in partnership with other nations to help support these objectives.

Finally, improving communications, as part of a customer focus, is integral to the goal of promoting awareness of and providing effective access to patent and trademark information. This relies on an advanced information dissemination base able to respond to users in a timely fashion, make information available, and transform the majority of processes into electronic operations. It includes the increased use of the Internet to request the status of applications and place orders and to answer customer inquiries via e-mail.

PTO's program operations are revenue-generating, and it is a self-sustaining Agency that strives for external customer satisfaction. Similar to private business, it conducts a number of transactions with the public directly and must become efficient enough to respond to private sector needs and a potentially growing market for its services. Freed of certain federal restrictions and with a clear mission, accountability, and measurable goals, the PTO is a good candidate to become a Performance Based Organization (PBO). The Administration is developing a legislative proposal to establish a PBO.

We are requesting an increase of more than \$100 million for the Patent and Trademark Business, Policy and Information Dissemination activities. These additional resources are completely funded by user fees and will increase staffing and expand existing workplace electronic systems to meet projected growth in workload.

The National Telecommunications and Information Administration (NTIA) maximizes the use of telecommunications and information resources in ways that create jobs, augment U.S. competitiveness, and raise the standard of living. NTIA plays an important

role in opening new markets and broadening trade by helping to implement the World Trade Organization (WTO) Basic Agreement on Telecommunications.

Through the Public Telecommunications and Facilities Planning & Construction program (PTFP), NTIA will assist public telecommunications facilities in converting to digital broadcasting. As necessary, PTFP will continue to fund grants to replace basic equipment and provide assistance to rural and other areas where financial assistance is lacking. It is part of the President's program to ensure that the benefits of public broadcasting continue for all our citizens.

NTIA manages radio spectrum allocated for federal use. It ensures that radio spectrum assignments provide the greatest public benefit by planning and implementing policies for both private and public sectors; meeting the requirements of federal agencies; and advancing the development of spectrally efficient technologies.

NTIA's Telecommunications and Information Infrastructure Assistance Program (TIIAP) provides matching grants to state, local, and tribal governments, and other not-for-profit organizations to demonstrate creative uses of information technology. Overall, we are requesting an increase of \$24 million for NTIA programs.

### **Distressed Communities**

The Economic Development Administration's (EDA) strategic goals are to create jobs and private enterprise in distressed communities and to build local capacity to achieve and sustain economic growth. Since its establishment, EDA has had to confront many challenges to the industrial and commercial growth of distressed communities of the United States. EDA was reauthorized for five years by the Economic Development Administration Reform Act (P.L. 105-393), to generate new jobs, help retain existing jobs, and stimulate industrial and commercial growth in economically-distressed areas of the United States.

Today, rapidly changing production, trade patterns, and technology threaten certain communities. EDA's highly flexible programs for public infrastructure, planning, technical assistance, and research allow the Department to respond strategically to the specific conditions of disenfranchised areas to expand industrial and commercial growth. EDA works through a nationwide network now comprising 320 Economic Development Districts (EDDs), 64 Indian tribes, 69 University Centers, and 12 Trade Adjustment Assistance Centers (TAACs). EDA focuses on supporting local planning and long-term partnerships with state and local organizations that can assist distressed communities with strategic planning and investment activities.

As part of its Economic Adjustment Assistance Program, the Department of Commerce will assist distressed communities recovering from sudden and severe economic downturns, such as those caused by increased foreign imports, plant closings, environmental regulation, and natural disasters. Among other activities, this program will assist communities in the Northeast region with economic diversification and



financial restructuring necessitated by federal restrictions imposed on the fishing industry. Commerce is requesting an increase of \$20 million for assisting distressed and disadvantaged communities for FY 2000. This represents a net increase of 0.2 percent for FY 2000.

The Minority Business Development Agency (MBDA) has the lead federal government role for coordinating all minority business programs. The agency provides access to market and resource opportunities through a variety of direct and indirect business assistance services. For FY 2000, MBDA will continue to define its program strategy through goals that promote job creation, economic growth, and sustainable development for the growing minority business population in the United States. These goals are to improve opportunities for minority-owned businesses to gain access to the marketplace, and to pursue financing.

### **Critical Infrastructure Protection**

Under the Critical Infrastructure Protection initiative, NIST will develop measurements, testing methodologies, and standards needed to help ensure the reliability, trustworthiness, and survivability of the information technology systems that support critical national infrastructures. The NIST program will address security technologies and methods used in a wide variety of systems (such as intrusion detection, cryptography, and access control), the processes used to build systems, and the application of these components to Federal government systems and to complex supervisory systems (which are a rapidly emerging area faced with important security concerns). These projects will focus on technologies not being developed by the private sector.

In housing the Critical Infrastructure Assurance Office (CIAO), a component of the interagency Critical Infrastructure Program established by Presidential Decision Directive 63, BXA helps to safeguard the interconnected systems that are necessary to the operations of our government and economy.

As part of the Critical Infrastructure Protection initiative, NTIA has the lead role for the information and communications (I&C) sector. It advances the public interest in communications, mass media, and infrastructure development by devising a plan that assesses the vulnerabilities of the I&C sector and identifying protection strategies in times of crisis. NIST and NTIA will carry out the research needed for I&C and will coordinate all research with the Office of Science and Technology Policy and CIAO. The research will help ensure against a catastrophic infrastructure failure, reduce the level of ongoing loss from attacks and failures, enhance overall national economic security, and reduce the direct and indirect costs associated with infrastructure failures.

CIAO is funded at \$6 million in FY 1999. Overall, we are requesting a program increase of \$7.3 million in FY 2000 for NIST and NTIA to help facilitate the Commerce Department effort in this national program for critical infrastructure protection.

## **Key Management Initiatives**

As you recall, when I took office I promised several actions to strengthen the management and operations of the Department. I reported on several of these last year, and I am pleased to report that we are continuing to make progress on key management issues at the Department of Commerce.

In addition to developing a Strategic Plan under the Government Performance and Results Act (GPRA), we have submitted our FY 2000 Annual Performance Plan (APP) under that Act, reflecting substantial improvements over the FY 1999 APP. It has substantially fewer goals and performance measures (about one-third as many performance measures as for FY 1999), and these goals and measures are more outcome or results-oriented, than they were last year. The FY 2000 APP is also much more closely linked to our FY 2000 Budget Request than the FY 1999 APP was to our FY 1999 budget.

In addition to these improvements in our implementation of GPRA, we have developed an internal Strategic Management Plan, which focuses on seven elements that cut across the Department. These are as follows:

- Supporting a successful Census 2000;
- Ensuring reliable and accurate Department-wide financial management;
- Making the most efficient use of information technology investments;
- Implementing an integrated policy, planning, and budgeting process;
- Establishing a solid risk management program;
- Improving customer service; and
- Maintaining a workplace that celebrates diversity and is free from discrimination.

Each of these elements is described in more detail in Part IV of the APP, entitled “Commerce Management Strategy: Success and Challenges.” We will continue to move aggressively to improve our management capabilities and to ensure that Commerce is well-managed, well-organized, efficient and effective in providing the best possible service to the American public and business community.

Here are just a few of our achievements during the past two years:

- Increased clean financial audits from 24 percent to 84 percent;
- Reduced security clearances by 34 percent;
- Consolidated field offices from a total of 747 to a 600;
- Increased Y2K compliance from 25 percent to 85 percent;
- Installed an accountability system for IT investments – on which we spend \$1 billion per year;
- Increased the discipline in our budget process through an “Integrated Policy, Planning, and Budget” process, chaired by the Deputy Secretary;
- Hired over 3000 “new workers” under the Welfare to Work Program;

- Launched a Government Wide Acquisition Contract (GWAC) for IT services for small, disadvantaged, and women-owned firms – the first such GWAC in government; and
- Hired a Chief Information Officer (CIO), and taken steps to create a Digital Department, including making investments in telecommunications and IT systems.

These initiatives are discussed in more detail in our Budget in Brief and APP. I am pleased to advise you that for the first time the Budget in Brief, the APP, and the budget justifications are available on a CD-ROM. The three documents are also available on the Internet at [www.doc.gov/bmi/budget](http://www.doc.gov/bmi/budget).

### **Commerce Employment**

For FY 2000, our budget request reflects a significant increase in FTE employment. This increase of 45,167 FTEs for FY 2000, plus a sizeable increase in FY 1999, is almost exclusively due to the requirements associated with gearing up for the Decennial Census. Fee-funded patent and trademark examiners comprise most of the remainder of the FTE increase. In the FY 2000 Budget Request submitted prior to the Supreme Court decision, the FTE increase attributable to the Decennial Census was 44,749. This number of primarily temporary employees will increase further in light of the Supreme Court decision. It should be kept in mind that these FTE numbers are not the same as the number of full-time permanent positions within Commerce, which is growing at a very modest level.

### **Summary**

Mr. Chairman, we realize that you and the other Subcommittee Members have a difficult job before you to develop an appropriations bill that will conform to the spending caps, consistent with the eventual final Budget Resolution. We look forward to working with the Subcommittee on the key issues that will confront all of us as you work toward developing an FY 2000 appropriations bill.

Thank you, Mr. Chairman, for this opportunity to review the progress we've made at Commerce over the past year and our requirements for the coming fiscal year. Last year I stated that we would hold every program and position to a stern test: keeping those we need to meet our goals, and searching for new and more efficient ways to get the job done. This year's plans and budget reflect this approach.

And Mr. Chairman, if I may end on a personal note. As the last Commerce Secretary of this century, I always say it is the best time in the entire century to serve. We are in the longest peacetime expansion in history.

But it takes your support to make Commerce what it is. I thank you for the past two years, and I look forward to two more good ones.